

**IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 23, 2010**

The Iowa Racing & Gaming Commission (Commission) met on Tuesday, March 23, 2010 at Stoney Creek Inn & Conference Center, Johnston, Iowa. Commission members present were Greg Seyfer, Chair; Toni Urban, Vice Chair; and members Kate Cutler, Paul Hayes and Andrea Harrison.

Chair Seyfer called the meeting to order at 9:55 AM in order to allow for the presentations to commence exactly at 10:00 AM and requested a motion to approve the agenda. He noted there would be an Executive Session after the conclusion of the presentations. Commissioner Cutler moved to approve the agenda. Commissioner Harrison seconded the motion, which carried unanimously.

Chair Seyfer advised that each presentation would be 45 minutes long without interruptions, at the five and two minute marks, a warning will be given to the presenter. There will be a 15 minute break between the presentations to allow for the set up of the next presentation.

Chair Seyfer called on Signature Management Group of Iowa, L.L.C. (Signature)/Tama County Community Enrichment, Inc. (TCCE). John Pavone, President of Signature, thanked the Commission for allowing them to present their proposal for the Prairie Hills Resort Casino in Tama, Iowa. He asked for the support of the Commission on behalf of the residents of Tama and one of the greatest economic development opportunities in Tama's history. Mr. Pavone advised that the economic impact created by the facility will reach far beyond any financial considerations that can be conveyed to the Commission at this time. Mr. Pavone introduced various individuals in attendance representing local government, the non-profit organization, and school board members. He stated that the process of creating new opportunities for the residents of Tama County started approximately four and one-half years ago, and with the Commission's approval of the application, Tama County can begin a new era of economic prosperity at a time when all of Iowa is suffering from economic distress. Mr. Pavone stated that Signature and TACCE have worked diligently to develop a proposal that is right for Iowa; and the right size and fit for Tama County. The facility will provide new opportunities for the citizens of Tama and far exceeds the criteria the Commission has established for the applicants. Mr. Pavone advised that the criteria would be listed in the presentation.

Mr. Pavone played a short video sharing some background information about Tama County. Tama is located less than an hour's drive from Des Moines, Ames, Waterloo and Cedar Rapids. Approximately 50% of the total 2007 Iowa tourism market happened within the radius of Tama County. The four-lane bypass connecting Tama-Toledo to Des Moines is scheduled to be completed in November 2010. A four-lane connection to Cedar Rapids is in progress as part of the Iowa Commercial Network. The video

highlighted many tourist sites located in Tama County; noting that there are many mobile artists that generate over 1.5 million visits annually, which helps the local economy. Vision Iowa has awarded funds to six different projects in Tama County. Tama County has no long-term debt, as do four of the cities located in Tama County. With regard to taxable retail and services, six communities experienced double digit growth; construction investment increased by 11% in 2008; and Tama County high school graduation rates exceed the state average.

The video stated that residents talk about the future and building on the past; giving a sense of pride in their communities; there is a sense of optimism about what this economic opportunity would mean in their lives and the future of their families.

Mr. Pavone advised that the project will encompass 148 acres of land, and will include a next generation 80-room Holiday Inn Express, 500 state-of-the-art slot machines, 18 table games, a unique regionally-themed restaurant, sports bar and entertainment area, and a 500-seat conference center. The conference center will attract conventions, social and city events and will compliment the outdoor amphitheater, which will be utilized for concerts, community events and social gatherings. Mr. Pavone advised that all of the facilities would be designed and built to provide the players with a variety of entertainment, and state-of-the-art safety and security inside and out. The facility will include an upscale RV park with an Executive Club House, and amenities such as a private gathering area, private locker rooms, and separate kitchen and dining facilities. Located in proximity to the new Highway 30 bypass and along the historic Lincoln Highway, the RV park and amenities will appeal to the upscale RV traveler.

Mr. Pavone advised that there will be over 90 acres of trails and support facilities will be home to the Prairie Hills Motor Sports Complex. This complex will allow Tama to promote and expand the rapidly growing ATV, motor cross, and snowmobile recreation market. There will be two separate tracks and clinics, which will also be available for other recreational activities. In addition to the motorsports complex, a portion of the land will be designated for cross country skiing and other winter events.

Mr. Pavone stated that at 131,000 square feet and costing in excess of \$42 million, this proposed facility will become the crown jewel in Tama County landscape.

Mr. Pavone indicated the facility will be located along the new Highway 30 bypass, providing great access and visibility. The new bypass accommodated over 8,000 cars per day in 2005 according to the Department of Transportation, and usage is expected to increase dramatically once the bypass is completed later this year. The new bypass is the shortest route between Des Moines and Cedar Rapids and is the second busiest east-west corridor in Iowa.

Mr. Pavone stated that when Signature set out to evaluate the opportunity in Tama, they considered many factors: community support, location, proximity to Iowa's major markets, availability of a qualified workforce, general economic conditions and the

financial viability of a facility in this market. In 2006, Signature commissioned a gaming market advisory group from Denver, Colorado to complete a feasibility study in order to determine market size, revenues, and other factors critical to the success of a facility. He noted that over the last seven years, communities vying for gaming licenses have completed 16 independent studies; and the Commission has commissioned four studies of the Iowa gaming market since 2003. Signature engaged The Innovation Group (Innovation) in November 2009 to update their study of the market to better reflect the amenities contemplated for the gaming site. He provided the following summary of the most recent Innovation study: \$42 million in revenue, \$39 million in gaming revenue with 54% of the dollars being new or incremental revenues. The facility will attract visitors from 21 markets within the reach of the facility; the markets contain approximately 1.49 million adult gamers. The study determined that a portion of the revenues would come from Cedar Falls, Waterloo, Des Moines, Iowa City, Marshalltown and Cedar Rapids. Mr. Pavone noted that Tama is on the north edge of the Des Moines market. The Innovation Group study indicated that the proposed facility would generate \$175 win per position per day, the largest win per position being presented today, and would rank Tama ninth in Iowa's current overall gaming market. The study also indicated that Tama is strategically located within easy driving distance of four of Iowa's largest cities (Cedar Rapids, Waterloo, Iowa City and Des Moines), as well as Ames and Marshalltown. Mr. Pavone noted that cannibalization of existing facilities is one of the most pressing concerns, and advised that the Innovation Group study completed in May 2009 concluded that none of the existing casinos would be materially impacted by a facility in Tama.

Mr. Pavone advised that the Tama facility will generate fees during the construction phase and the first year of operations in excess of \$20 million. Signature and TCCE have agreed to one of the most impactful revenue sharing arrangements in Iowa at this time; TCCE will receive a base fee of 3.5% of gaming revenues, which will increase to 4.5% as revenues increase. The City of Tama will also receive 2% of all gaming revenues, which will increase to 3% as the revenues increase. It is projected the facility will generate taxes and fees in excess of \$97 million in the first five years. If payroll dollars generated from the facility are included, not including additional community benefits, the facility will generate over \$135 million during the first five years of operations in taxes, fees, payroll and benefits. Mr. Pavone stated that employees will receive full medical, dental, vision and disability benefits. Additional benefits include retirement plans, and the company will offer part-time benefits to employees as well as PTO and a flexible schedule.

The proposed facility will utilize the Iowa State University curriculum for hospitality training, and will reimburse employees for credits earned through the program. Iowa State is ranked 15th among the world's top 100 hospitality programs. These types of benefits can have a life changing impact on employees. It is projected that the facility will employ between 300 and 400, which equates to approximately 4% of Tama's current employment base. It is the opinion of Signature and TCCE that there is nowhere in Iowa

where the Commission's vote will have more of an impact or importance than in Tama County.

Mr. Pavone stated that Tama County welcomes approximately 1.5 million visitors annually; they come for family events, meetings, various festivals, and the arts and crafts of local artists. Tama County has 287 historic places, cultural and leisure activities, 37 annual festivals and cultural events and 13 live music and performance spaces. Tama County also has three golf courses, four nature parks and recreational trails, and 91 social and service clubs. Mr. Pavone noted that the Innovation Group study completed in November 2009 also concluded that out-of-state revenues generated by this facility would exceed 12.4% of total revenue.

Mr. Pavone noted that the Commission has reinforced that the projects need to be properly financed and be economically viable. At this time, Mr. Pavone introduced Michael Hlavsa, Vice President of Signature, to review the projects financials. Mr. Hlavsa stated that the most important item to be discussed is the economic viability of the project. He pointed out that in the initial meetings with staff and Commission members there was a discussion as to whether or not the financial markets would be able to provide any kind of capital for any of the projects. He stated that the capital markets have eased up; financing and money is available at reasonable terms. Mr. Hlavsa advised that Signature has submitted equity commitments for 35% of the project costs, which far exceed equity requirements for previous projects and will insure the viability of the project. The equity commitment of approximately \$17 million is being provided by Sunway Hotel Group through their affiliation with London Bay Capital, a private equity firm in San Francisco, California. The balance of the project funding will be provided by Northland Securities in the form of debt financing. Mr. Hlavsa stated that the debt coverage ratios assure that the project is economically viable. The application assumes the most conservative projections and project costs, so that even if revenues were diminished by 40%, the project would be able to service its debt and remain viable.

Mr. Hlavsa introduced Jeff Seidel, Vice President of Northland Securities and Northland Networks, based in Minneapolis, Minnesota. He stated the primary business enterprise of Northland is to provide underwriting for cities, counties, states, and specialty projects. Last year Northland underwrote and managed in excess of \$1.5 billion in municipal bonds. The second main area of the business is Northland Networks, which places commercial loans for real estate, equipment financing and other types of projects; one-quarter each for family housing, multi-family housing, gaming and then various other projects. Within gaming itself, Mr. Seidel advised that Northland looked at various forms of financing; bank debt, tax exempt bonds, taxable bonds and FF&E financing. Mr. Seidel provided a brief description of each type of financing. He stated that Northland is very committed to this project; they like the numbers and like what they see.

Mr. Pavone addressed the issue of gaming integrity, and provided his background within the gaming industry in Iowa and other jurisdictions. He also provided background information on Mr. Hlavsa. Mr. Pavone introduced Barry Brautman, President of the

Sunway Hotel Group & Sunway Gaming Group, who advised that the company has been very active even in the current tough economic and financial times, noting they will be opening two new properties in the next several months. He stated that several years ago the company was approached to provide financing and development expertise for a number of Native American casinos. As this partnership proved to be successful, Sunway was asked to expand the scope and provide financing to the projects as well. Sunway currently works with some of the largest Native American tribes in the country. Mr. Brautman advised that Sunway and the principals generally own a significant piece of all of the projects, while the other piece is owned by a small equity group also based in Kansas City, London Bay Capital, which has partnered with Sunway on numerous projects. Mr. Brautman stated that the principals of Sunway Hotel Group and London Bay Capital are very excited by the opportunity in Tama County. He requested the Commission's support of the license application.

Mr. Pavone next addressed the issue of community support, noting that the referendum passed in November 2006 with 55.3% of the county voters voting in favor of the proposal, stating that he has been overwhelmed by the support and excitement shown by Tama residents. He introduced Chris Bearden, Mayor and Chairman of TCCE, who stated that the project would increase tourism and help reduce the unemployment rate, currently 8.4%. Mr. Bearden stated that they had only 3 months to prepare for the referendum, and feel that if the issue is voted on again, the percentage voting for the proposal would be higher. Funds received by the non-profit will be used for disaster relief, additional funds will be used to assist with rescue, clean-up, and food; historical preservation, promote Tama County as a tourist destination, schools, road improvements, and public safety. TCCE will also reach out to non-profit organizations in Benton, Grundy, Marshall and Poweshiek Counties. Mr. Bearden concluded his remarks by stating that the proposed casino would help Tama County grow and prosper.

Mr. Bearden introduced Jim Roan, a member of the Tama County Economic Development Commission. Mr. Roan stated that his comments were meant to put a "face" on the project for Tama County. He stated that he practiced law in Toledo until 2000, at which time he decided it was time to give something back to the community and county. He has worked on many volunteer projects, and has been successful in getting a new church, school and library built. His current project is restoration of a theater built in 1912 in Toledo. Mr. Roan stated that a year ago, five different projects joined together and worked as a group to get Tama County named a "Great Place", which the Iowa Department of Cultural Affairs did last fall. He stated that the residents of the county have learned to work together and are all behind this project. While he acknowledged there may be a small amount of opposition, he feels there is a great deal of support within the county; there is a good job market, a well-educated, hard working work force, and many goods and services that could be utilized by the casino project. Mr. Roan stated that the biggest benefit would be to the other non-profits located in Tama County, and surrounding counties. He requested that the Commission grant a casino license to Tama County to further feed the spirit of the State of Iowa one step at a time.

Mr. Pavone played videos of Tama County residents expressing their opinion as to the difference they feel a casino would make in their lives and fellow county residents. Following the videos, Mr. Pavone thanked the Commission for their support, time and effort, noting the difficult decision facing the Commission. He reiterated that no where in Iowa would their vote have more of an impact than in Tama County. Mr. Pavone asked the Commissioners to vote öyesö for Tama County.

Chair Seyfer called on Webster County Gaming, LLC/Heart of Iowa Foundation. Natalie Schramm, Chief Financial Officer (CFO) for Peninsula Gaming Company (Peninsula), stated they are excited to present today and have an opportunity to partner with local businesses/residents. She stated that the Commission has received a commitment letter from Peninsula to the local partners providing the necessary financing to complete the project.

Bonnie Campbell, legal counsel for Peninsula, stated that she has been an observer of the evolution of gaming in Iowa since 1983, noting that she was the Attorney General during a period of significant growth in the gaming industry in Iowa. She stated that the proposal for Fort Dodge is well thought out and complete. Ms. Campbell stated that she values the Commission's history of approving quality operations in Iowa.

Brent Stevens, Chair of the Board of Directors and Chief Executive Officer (CEO) of Peninsula, provided Peninsula's history in the gaming industry, noting the company was founded in 1997, is Iowa-based and community focused. The company takes a conservative approach, and has experienced growth primarily through building. He stated that Peninsula has one of the best operating margins of the regional companies.

Mr. Stevens moved on to the issue of cannibalization, and reviewed historical actual versus market study numbers on cannibalization. Mr. Stevens introduced Jim Oberkirsch, Director of Consulting Services for Innovation. Mr. Oberkirsch compared a statewide assessment regarding cannibalization of Wild Rose Emmetsburg (WRE) done for the State in May 2009 versus a study done for Peninsula on the Fort Dodge site in November 2009; noting that two different models were utilized. The state study utilized a coordinate gravity model; the Fort Dodge study utilized a drive time gravity model. The report provided to the State showed a Fort Dodge casino would affect WRE's revenues by approximately \$4.8 million; while the report prepared for Peninsula shows it would be approximately \$2.8 million, a difference of \$2.02 million. Mr. Oberkirsch stated that while Emmetsburg is just 70 miles from Fort Dodge, the drive takes approximately 90 minutes as there is no direct route, and is on two-lane road. He estimates that by 2012 gaming revenues will increase by approximately 7.7%, including the Fort Dodge location. The study indicated that WRE would also see a slight increase.

Mr. Stevens questioned whether cannibalization is real. He pointed out that a Cummings Associates report prepared for the Commission in April 2005 predicted cannibalization would occur in the nine existing markets. Historical data shows that six markets saw their revenues increase, and one market remain unchanged. Four of the six markets

reported double digit increases. Mr. Stevens reported that Dubuque gaming revenues saw a decline with the opening of Diamond Jo Worth, Riverside, WRE, and Isle of Capri Waterloo in 2005, but has since experienced market growth of 15.9%, or \$15.4 million. Des Moines gaming revenues saw a slight decline with the opening of the new facilities in 2005, but has seen market growth of 10.7% or \$18.6 million. For all existing facilities, market growth was 4.7%, or \$51 million. The Cummings market predicted market cannibalization of 3.2%.

Mr. Stevens stated that the 2004 WRE license application predicted projected revenues between \$14-\$22 million. WRE's 2009 revenues were \$28.2 million; Innovation projects their 2012 revenue will be \$28.4 million. WRE commissioned Wells Gaming Research to do a market study in 2004, which projected revenues of \$19-\$31 million. WRE officials stated: "Assuming the worst-case scenario with eight new casinos, the proposed Emmetsburg casino would still be able to produce the revenues required for a successful casino." Mr. Steven provided a quote from WRE's legal counsel at the March 3, 2005 Commission meeting, stating that the projections in the application are very conservative, and based on the fact that all applicants would receive a license. Mr. Stevens pointed out that Wild Rose would have built the casino even if every applicant in 2004-2005 received a license.

The 2004 application asked the applicants to indicate the effect of competition with other actual or proposed casino operations in the area. WRE's response was that the feasibility study showed no overlap between their primary market area and that of any existing or proposed casino. Wild Rose intends to proceed with the development of the casino in Emmetsburg regardless of the number of gaming licenses granted in the state. Wild Rose believes that its feasibility study shows that casinos in Black Hawk, Palo Alto, Wapello, Webster and Worth counties can all be successful and do not create competitive overlap in any primary market." Mr. Stevens indicated that this response again indicates that Wild Rose would have built the casino anyway.

Mr. Stevens addressed the various stakeholders and the effect that a license in Fort Dodge would have:

- Palo Alto County Gaming Development Corp. & The Heart of Iowa Foundation (HoIF) has offered to indemnify them for any losses;
- State of Iowa & Would receive \$10 million in license fees; and \$12.17 million per year;
- Employees & The proposed facility would create 350 new job opportunities;
- Suppliers & The facility will offer suppliers more opportunities; and
- Owners & Have an opportunity to recoup 100% of their investment.

Mr. Stevens introduced Monica Vernon, President of Vernon Research, who performed a study on the attitudes and opinions on gaming of Webster County citizens. Ms. Vernon stated that the 2004 referendum won by 57%; if the vote were held today, the vote would pass with 67-71%. The economic impact of the proposed facility is:

- Casino salaries: \$12 million+
- Casino spending: \$8.7 million+
- Charitable giving in Webster County: \$1.7 million+

The long term annual regional impact is estimated to be \$67.5 million; the short term impact will be \$50 million for the construction of the facility and purchasing of building supplies locally.

Lisa Shimkat, Secretary of the HoIF Board, the qualified non-profit sponsoring organization, provided information on the various ways the funds received from Peninsula would have an impact on the other non-profits in Webster County, as well as the quality of life in the area. Ms. Shimkat thanked the Commission for their consideration, and requested a vote in favor of Fort Dodge to generate growth and vitality for future generations.

Pat Leiting, a local investor in Diamond Jo Fort Dodge, stated that the proposal is more than just about gaming; it is about the preservation of the community; being able to put Fort Dodge on the path to economic prosperity that has been witnessed by some of the other communities around the state. He indicated the facility would be located on 80 acres at the junction of US Highways 20 and 169, and would work in concert with the local environment. The gaming floor will hold 600 slot machines, 20 table games, 5 poker tables, and a friendly, professional staff ready to meet their needs. Business leaders feel confident the casino will act as an anchor to the development of more than 200 acres of land adjacent to the property. Parking surrounds the casino and hotel, making accessibility as hassle-free as possible. The hotel will be attached to the casino; Peninsula will partner with an established Iowa hotel operator who has built their reputation on quality accommodations and high quality customer standards. Mr. Leiting stated that the indoor/outdoor multi-use facility, the Edward Campbell Event Center, will attract visitors for outdoor concerts, exhibitions, and trade shows, which will attract additional tourist spending in the area.

Ms. Campbell noted that the Commission has received a lot of information and numbers. A video was played showing the economic impact of gaming in Dubuque, which allowed the city to rebuild its infrastructure and revitalize the community. There were statements from Electrolux employees, teachers, and residents about the lack of, and loss of jobs, in the region, the lack of entertainment options, the need to retain current residents, and attract new residents.

Ms. Schramm thanked the Commission for their time, and indicated Peninsula and the HoIF are looking forward to the Commission's site visit.

Following a lunch break, Chair Seyfer called the meeting back to order, and requested that all cell phones be turned off. He called on Ingenus of Iowa, LLC (Ingenus)/River Hills Riverboat Authority (RHRA). Steve Siegel, Chair of RHRA, and Ken Mimmack,

CEO of Ingenus, stated they are excited about the possibility of bringing a casino to Wapello County. A video was played highlighting some of the attributes of Ottumwa.

Mr. Mimmack touched on the many benefits of the proposed project for Ottumwa: an experienced casino operator, extensive community support, significant revenues to the state and local governments, and an ongoing economic impact to the state and locally. The casino will provide 367 jobs, 600 construction jobs and 1.5 times ancillary jobs.

With regard to financing, Mr. Mimmack advised that the project is 100% financed with a highly respected financing partner. He stated the only condition to the funds being available to them is the granting of a casino license. Mr. Mimmack stated that the cash flow projections work at the lowest level of pro forma.

Mr. Mimmack stated that a casino in Ottumwa would minimize cannibalization, as they would focus on the Missouri market, and work with neighboring facilities on marketing. It is their hope that the casino will have a ripple effect and spark development beyond the casino; that it will help to develop an entertainment zone, the revitalization of the downtown area and development of the riverfront area.

Dave Wirshing, Chief Operating Officer (COO) of Ingenus, provided additional background information on Ingenus, noting they are not as well known in Iowa as some of the other applicants. He pointed out that Ingenus has been licensed in many jurisdictions, both nationally and internationally. They tailor the project to the location, market and community. Mr. Wirshing stated that Ingenus is not afraid to tackle a project of any size, and is really excited about the proposed project for Ottumwa.

Ottumwa has the Bridge View Center, a Vision Iowa project, and Mr. Siegel stated that they believe a casino and hotel will be complimentary and help attract more conventions and larger groups. The casino will help the local economy and provide jobs.

Mr. Mimmack stated that location is in downtown Ottumwa by the Des Moines River. The Bridge View Center allows Ingenus to enter the market as a Tier 2 property. Bridge View has 30,000 square feet of convention space, and a 750 seat theater. Ingenus has a partnership with the City to bring new infrastructure downtown, which will allow for expanded growth beyond the casino. The location, on a major highway, will support existing businesses.

Mr. Mimmack introduced Pierce Coady of Simonson & Associates Architects of Des Moines, Iowa. Mr. Coady stated that the site is easily accessed from Highway 34, which is a divided road, and Highway 63 from northern Missouri. He stated the existing Bridge View parking lot would be expanded by relocating Church Street, allowing for approximately 350 parking stalls at the entrance. Additionally, there will be a four-story parking structure that will accommodate 750 cars and three spaces for buses. Mr. Coady stated the proposal does require some changes to existing infrastructure as some on and off ramps will have to be modified; he indicated that the changes are good as it will allow

infrastructure to be brought up to current standards. He stated the Iowa Department of Transportation (IDOT) has reviewed the plan and given their conceptual approval. A RISE grant application has been submitted, and positive feedback has been received from IDOT, but they are waiting to see what the Commission does prior to moving forward in their process.

Mr. Coady stated that traffic flow has been designed to not only accommodate the initial phase of growth, but future casino and hotel expansion as well as the ripple effect, or additional development that is expected to come to the area later. Growth opportunities exist on either side of the river. He advised that the central character of the proposed facility draws directly from the local environment, utilizing sandstone from the bluffs along the river, glass and metal to replicate the flowing form of the river itself. The interior will also utilize sandstone, and steel trusses to replicate bridges. Mr. Coady stated that the Bridge View Center has 650 seats, and 30,000 square feet of convention space; the casino will add an additional 150,000 square feet total, the gaming floor will be just under 20,000 square feet and have 625 slots in addition to table games. There will be office space for casino administration and DCI, the Iowa store, dining venues, and over 100 hotel rooms and suites, and an additional 14,000 square feet of break out space. He stated that Weitz Company, one of Iowa's largest contractors, has been engaged as the general contractor for the project, primarily because they have the ability to deliver the project on time and on budget.

Mr. Mimmack advised that the total cost of the project is \$55 million. He stated that Ingenus has received a commitment letter from the Saqqara Gruppe, and has entered into a partnership with the city for infrastructure costs; the city and county have signed a 28E Agreement to provide \$20 million in infrastructure bonding to assist with the roads and the additional infrastructure for future development. He stated that Ingenus has decided to reimburse the city and county for their joint involvement in the infrastructure spending at a rate of 200% for the first \$10 million. At this time, Mr. Mimmack introduced Antoine Smith, Chairman and CEO of the Saqqara Funding Gruppe (Saqqara), who addressed additional financing issues.

Mr. Smith advised the Commission that Saqqara is an extraordinary commercial financier, providing a unique and somewhat sophisticated access to the debt and equity markets on Wall Street. The project offers an opportunity to get very, very low cost capital with a very, very strong rate of return for the investor that allows them a maximum and optimum return as it relates to the capital. Mr. Smith stated that Saqqara has funded projects up to multiples of \$1 billion from either traditional or non-traditional banking channels and private equity, as well as other channels and resources. He stated that he has over 22 years experience in legal and finance experience in the debt and equity markets on Wall Street.

Mr. Smith stated that the Commission has received a commitment letter, and may be questioning the strength behind the commitment letter. He stated that because Saqqara has strategic resources from companies like Goldman Sachs, Boston Capital, HSBC,

Wells Fargo, Bank of America Securities and other strategic Wall Street capital partners, Saqqara has their underwriting guidelines in house so that they can underwrite up to 90% specificity of an approval of a project before the commitment letter is released. Mr. Smith stated that Saqqara Funding Gruppe, LLC is ready and able to deliver the necessary capital to do this project. He further stated that Saqqara has previously provided funding for other projects, and reiterated that Saqqara is very sophisticated and able to execute at any level of commercial financing. Mr. Smith noted that the Commissioners may be questioning the 100% debt structure. He pointed out that traditional bank channels are not in a position to provide capital due to the most recently released FDIC underwriting guidelines; this transaction is a value added asset for the strategic investment projects and how they view the project. Additionally, he pointed out that Ingenus Management executes in the gaming arena like no one's business, and will get the job done, and done well. They have proven their ability to deliver projects to the marketplace in a very timely and efficient manner. Mr. Smith stated that the project represents very, very valuable and needed infrastructure resources and jobs to Wapello County. He reiterated Saqqara's commitment to provide the necessary funding for the Ottumwa project, and requested the Commission's approval of the application.

Mr. Mimmack stated that Ingenus will be employing best business practices, working with the regulatory agency, and providing training and development opportunities for the staff through the Indian Hills Community College by working with them to develop a program geared toward the skill sets needed by the casino employees. He stated that it is very important to Ingenus that they avoid cannibalization of existing facilities, but hopes to work with them to develop a "casino trail" of cross promotions. Mr. Mimmack stated that approximately 25% of the revenues at the Ottumwa facility would come from the Missouri market. They also hope to establish corporate partnerships with the Honey Creek Resort and community partner rewards with local businesses. He advised that rather than do another market study, Ingenus commissioned Econsult Corporation to conduct an economic impact analysis. At this time, Mr. Mimmack introduced Mike Mariano, a management director for Econsult. Mr. Mariano advised that Econsult is an economic and statistical consulting firm based in Philadelphia, Pennsylvania; and has worked on numerous economic impact analysis reports for economic development and real estate investment projects.

Mr. Mariano stated that there are various kinds of economic impacts: one time, ongoing and tax revenues. The casino will make payment for goods and services to local vendors, which in turn will spend money in the region, and casino employees will spend their earnings in the region, promoting additional business. Mr. Mariano stated that the company specifically looked at the impact in Wapello County and to the State of Iowa attributable to one-time development costs; and the ongoing impact attributable to ongoing operations and ancillary (visitor) spending.

The one-time development impact, based on a total development cost of approximately \$71 million, with estimated in-state expenditures of close to \$51 million, Wapello County will see a total economic impact in excess of \$83 million, including \$26 million from

employee salaries and wages supporting almost 850 jobs. The impact on the State is larger, in excess of \$102 million, including \$31 million in employee salary and wages and supporting nearly 1,000 total jobs. The next component is on-going casino operations, with estimated casino operating expenditures estimated at approximately \$34 million in the first year; which translates to a county-wide economic impact of nearly \$49 million and close to \$55 million for the State. Econsult estimated there would be 800,000 casino visits during the first year, and visitor spending in Ottumwa would amount to just over \$15 million, translating into an economic impact for Wapello County of \$23 million and over \$25 million for the State. The total annual ongoing economic impact attributable to casino operations and ancillary or visitor spending amounts to almost \$72 million and \$80 million, respectively, for Wapello County and the State.

Mr. Mariano advised that another important consideration is the local and state tax revenues: gaming taxes, taxes generated by non-gaming economic impacts and property taxes. Econsult estimated gaming taxes at the local level would be \$238,000 in the first year, increasing to \$340,000 in the fifth year of operations. The State would receive approximately \$8 million in the first year, which is estimated to increase to over \$11.5 million in year five. It is estimated Wapello County would receive an additional \$1.06 million in sales taxes during the first year of operations, increasing to \$1.6 million in the fifth year, while the transient hotel tax will amount to over \$380,000 the first year, and exceed \$750,000 in year five. The final component of the analysis is the property taxes. Econsult assumed the facility would have a market value of \$37.5 million in the first four years of operations, increasing to \$52.5 million after the expansion, which translates into almost \$1.8 million in property taxes the first year and reaching approximately \$2.5 million in the fifth year.

Mr. Mimmack stated that at this point the presentation would focus on development beyond the casino. He stated that Ingenus tries to develop additional venues within the community. He introduced Fred Lynn of The Lynn Group, LLC, which has been successful at providing design and consulting services to a wide variety of businesses. Mr. Lynn stated that The Lynn Group brings the fun to the project. He indicated the company's interest in the Ottumwa project came about due to several conversations with Mr. Mimmack. Mr. Lynn stated there are many different elements that come together to create entertainment. He noted there is already an indoor water park and ball fields located nearby that could be maintained and included to produce a larger venue. Mr. Lynn stated that the area opposite the casino could be dedicated to an entertainment complex that would include a 420 key hotel with a 42,000 square foot indoor water park, plus other entertainment attractions. A parking garage would be built, which would then allow the existing water park to be expanded to generate longer stays in the area. The Lynn Group also intends to bring in some brand name specialty restaurants to anchor the facility, but also allow current business owners in the community to lease space in the buildings. These plans would extend the projected employment beyond 1,700 people. Mr. Lynn advised the Commission that they are in the process of completing the financing on this part of the project, and are excited to be working with Saqqara to accomplish that goal. He stated they do intend to have an outdoor amphitheater in order

to host concerts and shows during the summer months; but the facility has been designed to be all-weather, and there is an interior corridor providing access to all of the amenities and areas. Mr. Lynn stated that the most exciting part is that once they have an opportunity to present this to the public on a broader scale, especially on economic growth, it will spur additional development, creating the ripple effect.

Mr. Mimmack concluded the presentation by indicating that this project is about the right revenues and impact, right jobs, right support, right financing, right operator, right approach and the right future; the right decision. He thanked the Commissioners for their time, and indicated that he was looking forward to the site visit.

Following a short break, Chair Seyfer called on Lyon County Resort & Casino, LLC (LCR&C) and Lyon County Riverboat Foundation, Inc. (LCRF). Sharon Haselhoff, Public Relations Director at Riverside Casino & Golf Resort (RCGR), opened her comments by noting that she was raised in northwest Iowa and would love the opportunity to return home for one of the 700 jobs the proposed casino would create. She provided a brief history as to how the project came into being. She noted that the northwest corner is truly the last location for a casino in Iowa, with an underserved market and an out-of-state market. A group of Lyon County residents, representing all of Lyon County and all walks of life, and some skeptics, traveled to Riverside to view the property, meet with city representatives, a county supervisor, the non-profit and the DCI. Lyon County held their referendum on September 23, 2008.

Ms. Haselhoff stated there is no direct route to Lyon County through the State of Iowa; pointing out that I-29 through South Dakota or I-90 through Minnesota are the best options. The location is just shy of the South Dakota border or a three mile jog into Minnesota, and will be located on Highway 9, in Iowa, on the east side of the road right before it enters South Dakota. She stated LCR&C now has 207 acres under option following the recently signed option agreements on the final parcels needed to complete the facility. The tri-state marker is less than 3 miles away, Sioux Falls is 6 miles away, I-29 is 17 miles away and I-90 is located just 9 miles from the site. She noted that I-90 is heavily traveled and is utilized by many families on their way to visit Mt. Rushmore and Yellowstone National Park, as well as many other attractions. Ms. Haselhoff stated that beginning in 2011, LCR&C hopes their facility will be their last Iowa stop to or from their trips to the west. She advised that the Sioux Falls market has 224,000 adults over the age of 21, another reason LCR&C makes sense. She introduced Mohammed Lawal and Larry Rafferty, representing KKE Architects, which designed the RCGR project. She indicated that while they have designed casinos and resorts nationally, she feels RCGR is their best. She went on to introduce Jeff Gallagher, president of the LCRF, Dan Kehl, CEO of RCGR, and who will also serve as the CEO of LCR&C. Several board members of LCRF were also in attendance. Ken Bonnet will serve as the CFO for LCR&C. She also introduced Joe Massa, the COO of Kehl Management and the current general manager at RCGR.

At this time Ms. Haselhoff turned the presentation over to Mr. Lawal and Mr. Rafferty. Mr. Lawal stated that he was contacted by Mr. Kehl to look at property in northwest Iowa. After looking at several properties, it became clear to him that land located along Highway 9, 6 miles from Sioux Falls was the obvious choice due to visibility, good freeway access and topography, the main component of a successful destination resort. The project will be a \$120 million destination resort on 207 acres of rolling Iowa land, providing over 285,000 square feet of building area. The facility will feature 900 slot machines, 24 table games, an action station buffet, steak house, ala carte daily café, 100-room hotel, 1200-seat event center with a convention center, show lounge, center bar, spa, boutique, retail outlets, an indoor-outdoor terrace and pool and an 18-hole Rees Jones-designed golf course. In looking at a view of the proposed project, the overall project centers on the main octagonal gaming floor, with the event center off to the left, to the right is an open space for future gaming expansion and additional amenities. The multiple food venues and back-of-house operations, including offices for the Commission and DCI, are located between the gaming floor and the event center. The show lounge and hotel are located on the southeast corner; the hotel will have several suite and balconies overlooking the terrace, swimming pool, golf course, landscaped grounds and a 10-acre man-made geothermal lake. The lake will serve as the backdrop for outdoor concerts, and will be used to irrigate the golf course, treat storm water runoff from the parking lot, and provide heating and cooling for the overall resort property. Mr. Lawal advised that there will be 560 geothermal heat exchangers in the lake, 44 million gallons of water and in excess of 83 miles of geothermal heating pipe, making LCR&C one of the most energy-efficient, sustainable and green resorts in the country. Parking will be available for over 2000 cars, RVs and trucks. The façade will include locally quarried stone in a rich, soft golden hue. The main gaming floor will have a mechanical ventilation, in addition to an under floor air distribution system, that will improve the indoor air quality, energy efficiency and create a comfortable indoor environment for all patrons.

At this time Mr. Lawal turned the floor over to Mr. Rafferty, who described the interior design, ambiance and quality of the resort facility. Mr. Rafferty stated that he and Mr. Kehl first met in Las Vegas and toured several casino properties in which he had been involved. During the tour, Mr. Kehl shared his vision for a new property he was developing in northwest Iowa. Since they had worked together on RCGR, discussions were held on how gaming in Iowa could be raised to the next level. The only mandates set forth by Mr. Kehl were that it had to be of the highest quality, and provide a warm, comfortable environment that would encourage return visits to the resort. In order to assure return visits, it is necessary to utilize many layers of design detail so that the guests will continue to discover new features on each return visit. The interior of the project includes many unique features, and the layout of the casino naturally leads guests to the various venues.

Mr. Rafferty stated that the money has been spent where the customer can touch and feel the materials throughout the resort. The color scheme of muted earth tones creates a soothing and relaxed atmosphere tying the various areas of the property together. He

stated that long after the guests have gone home, the attention to detail is what they will recall. Another benefit is the smiles on the faces of the employees as they assume the pride of ownership once the property opens. Mr. Rafferty stated that LCR&C will be the most talked about destination in the upper Midwest.

Mr. Lawal stated that they were able to open RCGR 14 months after being granted the license, one year ahead of schedule. He stated that KKE has spent the last 8 months developing design details for LCR&C, stating that the project is ready for construction, which could start in June this year by building the exterior and having the project enclosed before winter, helping to insure a grand opening in the fall of 2011.

Mr. Lawal introduced Mr. Gallagher, who talked about the community support, noting that a referendum was held in September, 2008 with a 69% voter turnout, and 62% voting in favor of the project. The project also has the support of all the governing bodies in Lyon County. A letter of support was also received from the Northwest Iowa Economic Development Board, which represents the counties of Osceola, Sioux, O'Brien, Plymouth and Cherokee in addition to Lyon, showing that all of northwest Iowa recognizes the value this project will have in spurring economic growth in that section of the state. Mr. Gallagher, noting that Lyon County is basically a rural county, stated that approximately 1,500 residents leave the county each day to go to work elsewhere, three times the average of the rest of the state. Lyon County looks forward to the opportunity to add 700 jobs, allowing residents to stay close to their family and residence. It is hoped that the casino will spur further economic growth in the cities around the resort, and the county at large. He highlighted some of the recreational opportunities and other attractions available in Lyon County.

Mr. Gallagher advised that the LCRF consists of a representative from each of the eight cities located within the county, and each of the five supervisor districts, thus representing all areas of the county. The LCRF would receive approximately \$2.7 million in the early years of the operation, and decided that 50% would be utilized to fund grants. Of the remaining 50%, 25% is going to the schools; each of the three public school districts will receive 7.5% or just over \$200,000; private schools will receive 2.5%. The remaining 25% will be distributed to the county and the eight communities. The communities will receive \$40,000 plus a percentage based on the population of each city. A video was shown of Lyon County residents expressing their desire for jobs that are closer to home and family, and expressing support for the project. It also highlighted specifics of the project. Local residents indicated their approval of Kehl Management, their attitude when in the area, the Riverside operation, and the fact that they make themselves known to the residents; they know what they are doing.

Mr. Kehl, noting this is the first time Lyon County has presented to the Commission, stated they feel they have exceeded all of the requirements. Community Support: He indicated they have spent a considerable amount of time in Lyon County visiting with residents about the project. Mr. Kehl stated there is strong community support. He stated that when the Lyon County residents visited Riverside, he felt it would be difficult to pass

a referendum based on previous polling conducted in the area; however, the enthusiasm of those residents was contagious. Compliance and Gaming Integrity: The company's reputation speaks for itself. Mr. Kehl also provided his word that they will comply with all regulatory requirements, not only of the Commission, but any other state or local agencies as well. He advised that the facility would be operated in the safest possible manner to protect the guests, employees and the integrity of gaming.

Mr. Kehl provided some brief history regarding his family's involvement in Iowa's gaming industry, noting they received the first gaming license in 1990, and added additional properties over the years. He noted that was the beginning of careers for many individuals on both the industry and regulatory side. He indicated the experience has been great; and mostly positive for everyone involved. The company has experienced substantial changes over the last year, and encountered a few knocks along the way; but their commitment to the integrity of gaming has never waived, and they fully understand the importance of running a safe and clean operation, and will do so in Lyon County. Mr. Kehl stated that they have established high standards for themselves, and try very hard to meet those standards and meet the expectations of the guests, employees, investors, Commission and DCI. He stated the company is very proud of their track record and look forward to bringing it to Lyon County. Economic Development: Mr. Kehl indicated that he agreed with the two independent studies. The Marquette Advisors study stated: "expansion opportunity providing the highest participation from out-of-state players and the least amount of cannibalization is in Lyon County. The Sioux Falls market is mostly untapped by current Iowa casinos. "

Mr. Kehl stated that over the years the company has consistently been in the top tier within the industry for in-state purchases. Their philosophy is to start in the local communities, and then to businesses within the state's borders. They believe in doing business with individuals that do business with them. He stated that their business model encourages other Iowans to invest along with them for the betterment of the state. They have received subscriptions from over 400 Iowans who will be investing \$120 million in the LCR&C. The breakdown is as follows: \$50 million in equity and \$70 million in debt. Mr. Kehl advised that the Lyon County project is the largest project before the Commission, and is being built to take advantage of the large untapped Sioux Falls market. The project will be the second destination resort in Iowa; there is nothing like it in northwest Iowa, South Dakota, or southwest Minnesota. Mr. Kehl stated that the amenities at this high-end resort will ensure its success through both the good and difficult economic times. He noted the company has a much stronger ratio of debt to equity than when they started the Riverside project five years ago. All funding is in place, and has been secured through Jefferies Funding, LLC, and locked in place for the first five years of the project. Mr. Kehl indicated that they believe the revenue projections are conservative; \$70 million in gaming revenue and \$80 million in total resort revenue. The studies commissioned by Commission estimated the top end of the market at \$79 million in gaming revenues. The above revenue would generate \$95 million in taxes and fees to the State over the first five years of operation, \$72 million from gaming taxes alone. Over five years, Lyon County will receive \$23 million in the

form of property taxes, gaming taxes and fees to the not-for-profit. In addition to the hundreds of construction jobs, the project will create in excess of 700 new jobs for Lyon County, with approximately 450 being full-time. Benefits will include health insurance, paid vacations, profit sharing and a 401K plan. The annual estimated payroll is \$13.5 million.

Mr. Kehl concluded his remarks by noting that the economic impact of the project would be very significant in that area of the state; over 81% of the revenues would come from outside the state of Iowa. He noted that Lyon County is becoming a bedroom community for Sioux Falls, which is experiencing rapid growth to the east - toward the proposed site for the facility. He reiterated their belief that the project meets all of the criteria established by the Commission and requested the Commission's approval of the project at the May 13th Commission meeting.

Following a short break, Chair Seyfer requested a motion to go into Executive Session. Commissioner Hayes moved to go into Executive Session pursuant to Iowa Code Section 21.5(1)(g) for the purpose of receiving Division of Criminal Investigation background reports. Commissioner Cutler seconded the motion, which carried unanimously on a roll call vote. (See Order No. 10-32)

At the conclusion of the Executive Session, Chair Seyfer requested a motion to leave Executive Session. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-33)

Chair Seyfer called for a motion to adjourn. Commissioner Hayes so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK